

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 STR-07 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
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PASS AGRICULTURE AND STR ELECTRONICALLY

E.O. 11652:NA
TAGS: ETRD, EAGR, JA
SUBJECT: PROPOSED JAPANESE SURPLUS RICE DISPOSAL PROGRAM

REF: TOKYO 216916

1. SUMMARY: RICE DISPOSAL PLAN NOT YET FORMULATED BUT WILL BE COMPLETED BY DECEMBER IN ORDER ATTEMPT OBTAIN FUNDS IN JFY 1979 BUDGET. FOOD AGENCY SEES NO ALTERNATIVE TO DISPOSING OF SURPLUS RICE STOCKS FOR EXPORT AND FEED AND INDUSTRIAL USE BUT WILL MAKE EVERY EFFORT TO MINIMIZE IMPACT ON FEEDGRAIN TRADE.

2. ACTING AGATT MET WITH DIRECTOR OF FOOD AGENCY'S ADMINISTRATION BUREAU ONO AND EIGHT OTHER FA OFFICIALS TO EXPRESS U.S. CONCERN ABOUT POTENTIAL IMPACT OF RICE DISPOSAL PROGRAM ON U.S. FEEDGRAIN EXPORTS. ALL POINTS IN REFTEL WERE MADE IN ACTING AGATT PRESENTATION.

3. ONO RESPONDED NO FINAL DECISION HAS BEEN MADE ON
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DISPOSAL PROGRAM BUT THAT STOCKS AT END OF OCTOBER EXPECTED TO BE 5.3 MILLION TONS (BROWN BASIS). SINCE STOCKS OF TWO MILLION TONS CONSIDERED NORMAL AND SINCE THERE IS NO WAY TO FORECAST WHETHER PRODUCTION NEXT YEAR CAN BE HELD DOWN TO LEVEL OF EXPECTED CONSUMPTION, FA NOT PREPARED TO PREDICT WHAT TOTAL SCALE OF RICE DISPOSALS WILL BE OVER NEXT SEVERAL YEARS. HE NOTED THAT 7.3 MILLION TONS WERE

DISPOSED IN LAST GO AROUND 1972-74 OF WHICH OVER 4 MILLION TONS WENT INTO FEED. THIS DISPOSAL WILL BE SMALLER AND DRAWN OUT OVER LONGER PERIOD AND EVERY EFFORT WILL BE MADE TO MINIMIZE IMPACT ON FEEDGRAIN IMPORTS AND WORLD FEEDGRAIN TRADE. HE SAID HE WOULD BRIEF MINISTER NAKAGAWA ON OUR REPRESENTATION AND ADVISE HIM SUBJECT WILL COME UP DURING WASHINGTON VISIT SEPT. 5-7.

4. ONO SAID THAT ONLY ALTERNATIVES FOR DISPOSAL ARE EXPORTS AND FEED AND INDUSTRIAL USES. ALTHOUGH PLAN NOT YET FORMULATED AND MAY NOT BE FINALIZED UNTIL DECEMBER, AND ALTHOUGH IT MAY BE DIFFICULT TO OBTAIN ADEQUATE FUNDING JFY 1979 BUDGET, IMPLICATION CLEARLY WAS THAT GOJ HAS NO ALTERNATIVE BUT TO IMPLEMENT SOME KIND OF DISPOSAL PROGRAM. FA WILL RECOMMEND THAT DISPOSALS BE CARRIED OUT OVER SEVERAL YEARS IN ORDER TO MINIMIZE IMPACT ON BUDGET.

5. ASST AGATT ASKED IF HE COULD ASSURE WASHINGTON THAT FA WILL MAKE EVERY EFFORT MINIMIZE IMPACT AND THAT FA WILL CONSULT WITH US AS IT DEVELOPS DISPOSAL PLAN. ON FIRST POINT, ONO ASSURED US THAT U.S. INTERESTS WOULD BE CONSIDERED BUT SEEMED RELUCTANT TO COMMIT FA TO FORMAL CONSULTATIONS. PERHAPS IT WAS PROBLEM OF TRANSLATION, BUT HE SEEMED TO INDICATE HE FELT CONSULTATIONS WOULD PUT "CONDITIONS" ON IMPLEMENTATION OF PLAN THAT IS TO BE DEVELOPED. HE PROMISED TO CONSULT INFORMALLY WITH AGATT

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FREQUENTLY.

6. COMMENT: GOJ HAS MADE SUBSTANTIAL EFFORT TO REDUCE RICE SURPLUS IN ITS 390,000 HECTARE SET ASIDE PROGRAM. GOJ SEEMS TO HAVE NO ALTERNATIVE BUT TO DISPOSE OF SURPLUS STOCKS AND THERE IS NO WAY THIS COULD BE DONE WITHOUT IMPACT ON ONE LEGITIMATE U.S. EXPORT INTEREST OR ANOTHER. SINCE MAFF OFFICIALS HAVE ALREADY TOLD US HERE AND IN WASHINGTON THAT THEY COULD INCREASE FEEDGRAIN IMPORT COMMITMENT ABOVE LEVELS OF 1975 SUPPLY/PURCHASE UNDERSTANDING, BEST APPROACH MAY BE TO PUSH FOR THIS, FOR CONTINUED CONSULTATIONS TO MINIMIZE IMPACT OF DISPOSAL PLAN ON U.S. TRADE, FOR RIGOROUS AND POSSIBLY EXPANDED MAFF ADMINISTRATION OF SET ASIDE, AND PERHAPS FOR GOJ INTERNAL ACTION TO BRING DOWN PRICE OF FEEDGRAINS TO END USERS TO SPUR CONSUMPTION. MANSFIELD

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